

RECEIVED

DEC 05 2008

DEPARTMENT OF
WATER RESOURCES

Larry W. Cope Testimony

My name is Larry W. Cope and I reside at 20290 Hwy#30, Buhl, Idaho 83316. I'm a 1966 graduate of the College of Idaho with a degree in Business Administration – Finance. I have been involved in business operations for more than forty years.

I have been employed by Clear Springs Foods since November 1973, recently completing 35 years of service. I joined the company in the capacity of General Manager and was elevated to the position of Executive Vice-President in 1976, then to President and CEO in 1982. In August of 2000 I assumed the role of Chairman in addition to my capacity of President and CEO.

In my capacity of Chairman and Chief Executive Officer I report to an independent Board of Directors. I'm responsible for all segments of the business including Sales and Marketing, Product Development, Operations, Research and Development, Administration and Finance and I have a duty to assure that the company is in compliance with all food safety and environmental laws. Being an employee owned company, governed under ERISA statutes and regulations, requires a high level of fiduciary duty to assure that the assets of the company are protected and the value of the employees ownership interests is properly served.

Clear Springs was formed in 1966 when a small group of Idaho people invested the first capital into the new business. When I joined the company in 1973 the company employed approximately 80 people, produced a limited variety of fresh and frozen rainbow trout products and was generally a production oriented trout producer. The company continued to grow and prosper and in August 2000 was sold by the initial investors to the Clear Springs Foods Employee Stock Ownership Trust with the beneficial interest in the Trust being owned by the approximately 400 employees of the company. Today the company remains an employee owned company contributing annual gross wages and salaries to the approximately 400 employee owner families, now approaching \$20 million annually.

Clear Springs Foods, Inc. is a resource based vertically integrated food company dedicated to the production of high quality, wholesome aquacultured food products, the core product being fresh and frozen rainbow trout. Operationally the company encompasses a state-of-the art trout farming operation, feed manufacturing, two processing plants, research facilities and a national fleet of long-haul delivery trucks.

Historically the company has invested heavily in developing North American food service and retail markets for its products. The company is staffed with key sales and marketing executives in sales, marketing and product development in Buhl and employs regional sales managers in various regions of the country. Additionally the company is represented by approximately 50 independent food brokers located in the major markets of the country.

The company competes in the national fish and seafood market. This market is comprised of approximately 50 different fin fish as well as many shellfish products. The market is dynamic, ever changing, and very competitive. It is essential the company maintains a low-cost posture to effectively compete in the market place.

The Magic Valley area produces approximately 70% of the national production of rainbow trout in the U.S. To our knowledge Clear Springs Foods, Inc. is the world's largest producer of plate size rainbow trout. The company currently markets approximately 25 million pounds (swimming weight equivalent) of a variety of food service and retail products into the North American markets.

Food safety, resource sustainability and environmental responsibility are paramount in the Clear Springs culture. The company has always provided only the highest quality and safest products to our customers. The company has long participated in various programs to ensure safe, high quality products and has operated under a Hazard Analysis Critical Control Point (HACCP) plan for many years. This plan helps identify various points in our production process where food safety issues could arise. The program is subject to annual US Food and Drug Administration inspection. The company is committed to sustainable resource use and environmental protection. Control is maintained over each phase of the growth cycle and the processing of the rainbow trout, and is monitored under a program designed to minimize the environmental footprint.

The foundation of the company's past and future success is the available water resource, both quantity and quality. This unique resource message has historically been utilized to communicate the positive food safety attributes of the company's products to the market place. Our web page (clearsprings.com) highlights the lead message – "Clear Springs Foods – premium trout & seafood products from the world's most pristine waters." Further, the quantity of water available to the farms dictates the annual production potential and sales level of the company. The quality of the water received for fish production influences the wholesomeness of the products and dictates the ability to culture and raise the trout for future sales. Any degrading of the water quality or reduction of water flow results in a reduction of production and sales for the company, thereby, reducing the value of the company to the approximately 400 Clear Springs employee owner families.

Based upon my understanding of the mitigation alternatives offered by the Groundwater Districts, Clear Springs' standard of quality and food safety assurances will be jeopardized. Such alternatives are problematic for Clear Springs Foods to incorporate into its operations.

November 18, 2008